

5-11-10, Fannie and Freddie Reform: What Are We Waiting For?

House, Senate Republicans Fight to End Their Bailouts While

Senate Democrats Offer Up Another Government Study

The bailout tab for Fannie and Freddie reached \$145 billion this week and scrutiny of the taxpayer funded GSE's reaches a new high. And what do the Senate Democrats do to address the billions of taxpayer dollars lost? They promise to study the issue some more. Meanwhile, Senator McCain should be commended for offering an amendment that protects the American taxpayer from future bailouts. His amendment mirrored House Republicans call for reform by offering a real plan to protect taxpayers and end the unlimited bailout of the GSEs. The American people need real reform that addresses the cause of the crisis, not another government study that punts the problem to next year.

UPDATED TIMELINE...SCROLL DOWN FOR MOST RECENT DISAPPOINTMENTS

February 19, 2009...

Within weeks of taking office, the Obama Administration increases the amount of Fannie and Freddie's bailout from \$200 billion to \$400 billion.

March 22, 2009...

Appearing on CNN's "State of the Union with John King" Christina Romer states "I think that [Fannie and Freddie] is certainly going to be an issue going forward. I think it should be part of the overall financial regulatory reform, to figure out what is the best way."

June 9, 2009...

While testifying before the Senate, Treasury Secretary Tim Geithner states "The future of the GSEs, including Fannie and Freddie, will be an important -- is an important challenge for us. But we are not going to -- I'm violating my rule of getting ahead of the president. We are not going to recommend in our initial proposals for reform precisely what we think the future of this should be. We're going to begin a process of consulting with the Congress and a broad section of housing experts on what we think the range of options are....But we're going to defer recommendations on those things for a bit longer."

June 17, 2009...

The Administration releases its white paper on financial regulatory reform which includes a paragraph about the future of the GSEs. The white paper states, "Treasury and the Department of Housing and Urban Development, in consultation with other government agencies, will engage in a wide-ranging initiative to develop recommendations on the future of Fannie Mae and Freddie Mac, and the Federal Home Loan Bank system. We need to maintain the continued stability and strength of the GSEs during these difficult financial times. We will report to the Congress and the American public at the time of the President's 2011 Budget release."

June 18, 2009...

Treasury Secretary Geithner tells the Senate Banking Committee: "I think this is a very important issue, and you're making a -- you're asking a very good question. It is a very different challenge. Our challenge with Fannie and Freddie now -- and this is true about the government's role in the housing market more generally -- is more a challenge for exit, what the future should be. We have to fundamentally rethink what the appropriate role of the government is in the future. We did not get that right. It was not a tenable balance we struck in that situation."

July 10, 2009...

Secretary Geithner is asked during a joint hearing why the Administration's reform proposal does not address Fannie and Freddie. Geithner response: "It is absolutely true that those institutions, over time, took an enormous risk because of the implicit commitment of the government to back them....Now, we are going to have to come to the Congress and propose how to deal with the future of those entities, but now is not the time to do that. And we are going to try and do that carefully and well. But we agree with you that that's something we're going to have to confront together and we will come

to you, and it's our responsibility to do that, with our best judgment about what to do. But we'll look at a range of options and we'll work through that together."

August 6, 2009...

During a news briefing, White House Press Secretary Robert Gibbs is asked about a timetable for GSE reform. Gibbs said, "As part of financial regulatory reform, GSE reform is going to be part of that. ...I don't have a specific timetable....Again, I know its certainly part of broader financial regulatory reform. And, obviously, both play an important role in the president's home loan modification program and overall housing policy."

October 29, 2009...

Treasury Geithner is asked about a timetable for GSE reform while testifying before the Financial Services Committee. Geithner response is: "What we have said is that we believe early in the year we're going to outline at least our initial ideas on options for how we do that."

November 6, 2009...

Treasury blocks Fannie Mae from selling \$2.6 billion in Low-Income Housing Tax Credits after determining it would be too costly to taxpayers.

December 11, 2009...

The House approves the Democrats' legislation for financial regulation that fails to address Fannie and Freddie.

December 24, 2009...

The Obama Administration again increases the bailout of Fannie and Freddie; this time to an unlimited amount. As part of this extended bailout, the Administration also relaxes the limitations on the GSEs' portfolios. Administration officials tell reporters that a plan for Fannie and Freddie will be included in the President's budget for 2011.

December 24, 2009...

Treasury gives top executives at Fannie and Freddie multi-million compensation packages... payable in cash.

January 21, 2010...

Austan Goolsbee joins the press briefing and has the following exchange with a reporter: QUESTION: What about Fannie and Freddie? I mean, correct me if I'm wrong, but I haven't heard the president mention them in any of these discussions of his financial proposals. I mean, why is that? Were they -- do you guys not think they were part of the problem, or...

GOOLSBEE: No, I don't think it's accurate to say they haven't been mentioned. In the regulatory white paper, it says that the president -- they were going to convene to look at the broader mortgage market as a whole, which includes Fannie, Freddie, FHA, and thinking about a broad expanse of things, and what we do in the mortgage market.

Obviously, it wasn't mentioned today because it's not -- it's not a commercial bank and it's not in this circumstance.

QUESTION: But you haven't come up with any proposal -- since that white paper, though, nothing's...

GOOLSBEE: I'm -- I don't have any comment on the specifics on that.

February 1, 2010...

The President's FY2011 budget - which was supposed to include a detailed plan for Fannie and Freddie - contains two sentences on Fannie and Freddie stating a plan is forthcoming.

February 24, 2010...

Testifying before the House Budget Committee, Treasury Secretary Tim Geithner states that no plan for Fannie and Freddie will be made available until next year at the earliest. Geithner said, "Well, we're going to put out principles and broad objectives this year. We're going to put out some broad questions and invite public comment on those questions. And then we're going to use that process of outreach -- and I'm sure there'll be extensive congressional testimony on this -- to try to shape a set of legislative proposals we can present to the Congress next year. And, Congressman, let me just say this: There is nobody who's going to care more about making sure we fix what was broken, not just in Fannie and Freddie, but the broad government's role in the housing market, than me. And we want to make sure that we get it right, that we do it carefully. We can't do everything right away."

February 24, 2010...

Geithner also informs the Budget Committee the Administration does not support bringing Fannie and Freddie on budget: "That's going to be a difficult set of reforms, but we do not believe it's necessary to consolidate the full obligations of

those entities onto the balance sheet of the federal government at this stage."

February 24, 2010...

Also on this day, Federal Reserve Chairman Ben Bernanke tells the Financial Services Committee that a plan for GSE reform should come as soon as possible: "The sooner you get some clarity about where the ultimate objective is, the better."

March 3, 2010...

Fannie Mae requests an additional \$15.3 billion in taxpayer support.

March 15, 2010...

Senate Democrats unveil a long awaited financial regulatory reform package...which also fails to include any provisions on Fannie and Freddie.

March 23, 2010...

Secretary Geithner testifies before the Financial Services Committee on the future of housing finance but failed to provide a detailed plan for Fannie and Freddie, stating "We are going to make sure that these institutions have the

resources they need to meet their commitments past and future."

"Realistically, it's going to take several months to do a careful exploration of the problems, solutions, alternative models, and to try to shape legislation that could command consensus.

"There's a huge compelling need to make sure we can design the successor system, and it's very hard...for anybody to argue that we can live with the system as it is now indefinitely in the future."

March 23, 2010...

The Washington Post reports that "Treasury Secretary Timothy F. Geithner is scheduled to tell the House Financial Services Committee on Tuesday that the administration will unveil a list of questions on April 15 in an effort to frame the debate. The answers will help guide the administration's reform of federal housing policy and address not only Fannie Mae of the District and Freddie Mac of McLean but also the Federal Housing Administration and related agencies."

April 14, 2010....

Treasury and HUD release what can only be considered their plan for housing finance-seven questions to poll Americans about what the future of housing finance should be. Unfortunately, this only proves that the Administration has no real plan for dealing with the GSEs.

In response to a question from Ranking Member Spencer Bachus, HUD Secretary Shaun Donovan confirmed that the Administration will not have a plan until next year.

April 15, 2010...

While taxpayers around the country line up to hand even more funding to these broken, out of control housing programs, there is nothing but continued silence from the Administration and House and Senate Democrats on how to reform Fannie and Freddie.

May 5, 2010...

Freddie Mac reports \$6.7 billion in losses for the first quarter of 2010, and requests an additional \$10.6 billion in taxpayer dollars.

On the same day that Freddie requested \$10 billion dollars, Politico reported that Chairman Barney Frank sent a memo to the White House outlining a strategic plan to cover their political hide and address their inaction towards Fannie and Freddie.

May 10, 2010...

Fannie Mae reports \$13 billion in losses for the first quarter, and request \$8.4 billion in taxpayer dollars.

Appearing on CNBC, Senator Mark Warner acknowledged that "it's a fair claim to make that we haven't done enough to fully address Fannie and Freddie, it is the big elephant in the room that hasn't been addressed."

May 11, 2010...

Rep. Paul Kanjorski defends Fannie and Freddie as a guest host on CNBC, and says GSE reform "[is] too complicated" to look at until next year. VIDEO

Senate Democrats kill prospects for housing finance reform by voting down the McCain amendment, which largely mirrors House Republican reform efforts. To continue their efforts to block reform, they pass an amendment by Senator Dodd that offers what can only be described as a legislative insult to the taxpayers - a useless amendment to conduct a government study. Is this their idea of reform?

Here's a Question for the Democrats - What Are We Waiting For?

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